

# Weekly Report

*the authoritative reference on Congress*

WEEK ENDING DEC. 17, 1954

VOL. XII, NO. 51, PAGES 1429-1440

## INDUSTRIAL DISPERSION

Should Defense Plants Be Removed  
From Top H-Bomb Target Areas?

### OF SPECIAL INTEREST :

ANOTHER GREAT DEBATE  
OVER CHINA BLOCKADE?

LOBBIES HOPE TO SHIFT  
STATE, LOCAL TAX LOAD

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## capitol quotes

### SPECULATION

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**Ike's personal popularity** has prompted Republican leaders--at least those of his wing of the party--to begin beating a path to his door. They are earnestly beseeching him to run, knowing this is perhaps the only possible means of salvaging a 1956 victory. Nothing has been said publicly as yet, but there are growing indications that Ike finally will consent to run again." Rep. Harlan Hagen (D Calif.), Dec. 16.

**Stalemate or Cooperation?**--"As the day approaches when the new 84th Congress will convene, many persons are speculating as to what type of relations will develop between the Democrat-controlled Congress and the Republican Administration... If the Democrats practice the responsibility their spokesmen have been calling for, we need not fear a legislative 'stalemate.' Furthermore, I am confident that on the major questions of national security, most Members of Congress will place the national interest above partisan politics." Rep. Peter Frelinghuysen, Jr. (R N.J.), Dec. 16 "Washington Letter."

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### ADDENDUM

**Laws to Bite Reds With**--"I am now preparing a series of anti-Communist bills which will be introduced in the new 84th Congress, opening in January. One of them will permit the removal of Communists from strategic facilities which serve defense industries..."

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**Follow That Man**--"Retirement is becoming a word to strike fear in those nearing retirement age ... When you see an older person who still has a lively interest in things and people around him, who still has a sense of humor and who does not take himself too seriously--who walks into the so-called declining years with a firm step and uplifted head--follow him." Rep. Elizabeth Kee (D W.Va.), Dec. 10 newsletter.

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## INDUSTRIAL DISPERSION

84th Congress May Be Called On To Draw Up Broader Program To Shift

# NAVY CITIES

### Cities, Likely H-Bomb Target Areas

emphasis has been placed on voluntary compliance with dispersion aims and standards. Committees in 92 urban areas have done much to persuade manufacturers to heed the dispersion factor in picking sites for their new plants.

The local industrial dispersion groups survey the industry and population situation in their areas, map potential target zones, and recommend dispersed sites for new plants. The government's role in the program primarily has been to encourage and advise.

Nevertheless, ODM does have figures that indicate a substantial movement of new defense plants away from likely target areas. The figures are based on "certificates of necessity," which permit manufacturers to reap certain tax benefits by amortizing over a five-year period that portion of their investment in new plant which is directly related to defense production. Since August, 1952, firms seeking the fast tax write-off benefits have had to meet dispersion standards for proposed plants costing \$1 million or more.

### PROGRESS MADE IN '53

Of 3,770 applications for certificates of necessity in 1953, 275 involved the dispersion factor. While these comprised only about 7 percent of all applications, they concerned facilities valued at \$2.2 billion -- almost half the total value of all facilities for which certificates were requested.

Of the 275, 215 conformed -- or were modified to conform -- to dispersion standards. Six applications which did not were denied. In another 54 cases, applicants were exempted from the dispersion requirement, chiefly for economic reasons.

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No one can say how much dispersion has taken place since the program started in 1951, because



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The 83rd Congress enacted several key anti-Red laws, but there are still wide-open loopholes in the nation's laws on the Communist menace. These loopholes must be closed, and this must be done with powerful laws, with real 'teeth' in them." Sen. Alexander Wiley (R Wis.), Dec. 9 newsletter.

Wood Screws--"The statistics on imports of wood screws demonstrate that much of the American market is being usurped by low wage, low cost material and low tariff imports. The national, state and local industry would not be served if this particular vital industry is allowed to suffer from a continuation of the present high rate of imports... favorable action should be taken in granting the wood screw industry relief." Rep. James T. Patterson (R Conn.) in a letter to President Eisenhower released Dec. 8.

Few but Noisy?--"If Sen. McCarthy (R Wis.) chooses to form a third party and the votes are ever counted it will be surprising to find how few but how noisy this McCarthy fringe of the Republican Party really is." Sen. A.S. Mike Monroney (D Okla.), Dec. 9.

At the Crossroads--"Candidates for political office seeking votes frequently tell the voters: 'We are at the crossroads.' They assert that, unless they and their party are successful at the coming elections, dire disaster will overtake the country. Repetition of this prophecy has lessened its effectiveness. Nevertheless, the welfare of a country and its people is sometimes determined by the political philosophy of those who give it legislation, interpret and execute its laws." Rep. Clare E. Hoffman (R Mich.), Dec. 7 report to constituents.

Follow That Man--"Retirement is becoming a word to strike fear in those nearing retirement age ...When you see an older person who still has a lively interest in things and people around him, who still has a sense of humor and who does not take himself too seriously--who walks into the so-called declining years with a firm step and uplifted head--follow him." Rep. Elizabeth Kee (D W.Va.), Dec. 10 newsletter.

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## INDUSTRIAL DISPERSION

84th Congress May Be Called Be On To Draw Up Broader Program To Shift

Defense Plants Away From Big Cities, Likely H-Bomb Target Areas

Is wholesale dispersion of American industry and people the best answer to the threat of the H-bomb?

The question hasn't been answered, according to Rep. Richard Bolling (D Mo.), because "no one knows whether effective dispersion of people and plants is practicable or wise." Bolling suspects that it is, but wants Congress to set up a special joint committee to study "The Economics of Atomic Defense."

If Congress concludes that mass dispersion is feasible and necessary, it must provide the ways and means for a much broader program than the present industrial dispersion program run by the Office of Defense Mobilization.

The present government program applies mainly to new, not existing, defense plant capacity, much of which is concentrated in the 193 target areas defined by the Federal Civil Defense Administration. Present dispersion incentives are losing their effectiveness as the defense build-up launched after Korea nears completion.

### VOLUNTARY COMPLIANCE STRESSED

ODM is itself putting a lot of study on the dispersion question. A recent report on industrial mobilization by the Joint Congressional Committee on Defense Production said "intensive planning" is being done on how to reduce "the vulnerability arising from concentration of population and industry in a limited number of great cities." Right now, ODM is trying to decide whether to extend the minimum safety zone beyond the present 10-mile distance from likely target areas.

No one can say how much dispersion has taken place since the program started in 1951, because

emphasis has been placed on voluntary compliance with dispersion aims and standards. Committees in 92 urban areas have done much to persuade manufacturers to heed the dispersion factor in picking sites for their new plants.

The local industrial dispersion groups survey the industry and population situation in their areas, map potential target zones, and recommend dispersed sites for new plants. The government's role in the program primarily has been to encourage and advise.

Nevertheless, ODM does have figures that indicate a substantial movement of new defense plants away from likely target areas. The figures are based on "certificates of necessity," which permit manufacturers to reap certain tax benefits by amortizing over a five-year period that portion of their investment in new plant which is directly related to defense production. Since August, 1952, firms seeking the fast tax write-off benefits have had to meet dispersion standards for proposed plants costing \$1 million or more.

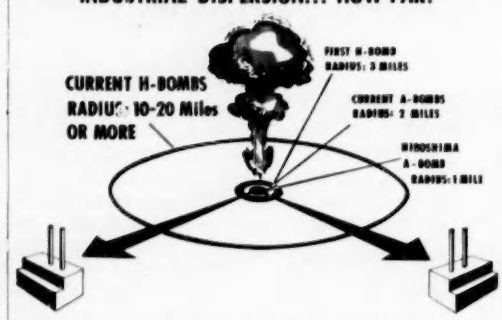
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## INDUSTRIAL DISPERSION... HOW FAR?



The government also grants the tax write-off privilege to manufacturers who make protective installations for plants already established in target areas or new plants which cannot be dispersed. Other dispersion levers include allocation of critical materials, defense production loans, and the award of defense contracts.

### EXPANSION THE GOAL

But dispersion has never been the primary goal of defense mobilization, for which the tax amortization incentive was designed. ODM calls the tax write-off "the most widely used government incentive for achieving the goals" of industrial expansion. From Jan. 1, 1950, to November, 1954, certificates of necessity were approved for more than 19,000 new or expanded defense-supporting facilities, with an estimated value of \$29.6 billion. About 60 percent of that amount qualified for the rapid tax write-off privilege.

Now that the build-up is leveling off, however, this incentive is bound to lose some of its effectiveness in achieving industrial dispersion. If Congress and the executive branch decide that mass dispersion is essential to the nation's safety, new incentives will probably be required.

### DEFENSE FIGURES

Between Jan. 1, 1950, and June 30, 1954, 18,911 certificates of necessity were approved for rapid tax write-off of the cost of new or expanded defense facilities. These facilities had a total estimated cost of \$29,048,610. However, only the percentage of capital investment directly related to defense production was eligible for the rapid tax amortization privilege.

The net value of prime military procurement and construction contracts from July, 1950 through June, 1954 amounted to \$115,921,903. (See chart adjoining column.)

## INDUSTRY & DEFENSE

(Dollar amounts in thousands)

### Defense Contracts Awarded To Industry Certificates Of Necessity\* In The U.S.\*\*

	Number Approved	Certified Cost	Amount of Contract	Percent Of Total
	1	2	3	4
ALABAMA	159	\$ 305,466	\$ 633,419	0.6
ARIZONA	111	157,091	267,284	0.3
ARKANSAS	58	132,530	242,919	0.2
CALIFORNIA	1,694	1,384,247	15,733,505	14.6
COLORADO	90	100,401	213,343	0.2
CONNECTICUT	658	290,926	4,734,626	4.4
DELAWARE	46	106,833	182,350	0.2
D. OF C.	11	3,995	828,250	0.8
FLORIDA	110	236,092	430,159	0.4
GEORGIA	86	168,593	1,412,374	1.3
IDAHO	25	35,556	55,020	0.1
ILLINOIS	1,101	911,234	5,209,313	4.9
INDIANA	525	760,668	4,370,932	4.1
IOWA	127	205,593	819,384	0.8
KANSAS	168	133,552	2,284,306	2.1
KENTUCKY	123	282,533	270,163	0.3
LOUISIANA	155	589,488	734,380	0.7
MAINE	41	89,285	388,584	0.4
MARYLAND	209	341,744	2,547,799	2.4
MASSACHUSETTS	538	146,476	2,770,562	2.6
MICHIGAN	1,372	1,206,768	9,143,988	8.6
MINNESOTA	267	672,567	1,058,637	1.0
MISSISSIPPI	55	153,481	249,136	0.2
MISSOURI	237	225,175	2,516,743	2.4
MONTANA	35	110,597	29,329	***
NEBRASKA	31	55,599	358,181	0.3
NEVADA	21	28,443	56,639	0.1
NEW HAMPSHIRE	50	21,456	213,007	0.2
NEW JERSEY	890	471,777	5,736,052	5.4
NEW MEXICO	32	37,171	115,414	0.1
NEW YORK	1,344	1,072,135	16,385,605	15.4
NORTH CAROLINA	144	171,523	872,301	0.8
NORTH DAKOTA	31	19,917	7,939	***
OHIO	1,708	1,482,221	6,476,272	6.1
OKLAHOMA	130	170,270	1,003,080	0.9
OREGON	85	144,165	286,498	0.3
PENNSYLVANIA	1,351	2,348,560	4,608,719	4.3
RHODE ISLAND	114	15,204	480,727	0.4
SOUTH CAROLINA	55	59,922	391,127	0.4
SOUTH DAKOTA	13	1,021	31,835	***
TENNESSEE	132	213,376	691,562	0.6
TEXAS	783	2,065,524	3,679,514	3.5
UTAH	46	63,340	86,751	0.1
VERMONT	47	9,360	127,652	0.1
VIRGINIA	106	217,520	1,185,997	1.1
WASHINGTON	183	552,598	4,261,862	4.0
WEST VIRGINIA	153	529,723	205,896	0.2
WISCONSIN	364	182,953	2,029,465	1.9
WYOMING	24	31,488	21,977	***
Total for States	15,042	\$18,516,248	\$106,441,077	
Other****	3,069		9,430,226	
GRAND TOTAL	18,911	\$29,048,610	\$115,921,903	

\*Jan. 1, 1950, through June 30, 1954

\*\*July 1, 1950, through June 30, 1954

\*\*\*Less than 0.05 percent

\*\*\*\*Includes certificates approved for interstate facilities or those outside the continental U.S., and contract awards distributed in the U.S. but not broken down by states.

## Fact Sheet

# LAWS CREATING INDUSTRIAL DISPERSION PROGRAM

The industrial defense mobilization and dispersion programs stem from:

**Defense Production Act of 1950** (PL 774, 81st Congress), as amended in 1951 (PL 96, 82nd Congress), and as amended and extended in 1952 and 1953 (PL 429, 82nd Congress, and PL 94, and 95, 83rd Congress). Most of the key sections which follow are scheduled to expire June 30, 1955, unless they are extended by Congress:

**Section 101** -- Authorized the President to set priorities for defense contracts, and to allocate and control distribution of scarce and critical material essential to national defense.

**Section 301** -- Authorized government guarantees to private and public financing institutions against losses on loans to contractors or other persons for expansion of facilities needed to fulfill defense contracts.

**Section 302** -- Authorized direct government loans to private business for expansion, development and production of essential materials, including exploration, development and mining of strategic and critical minerals and metals.

**Section 303** -- Authorized the government to buy any material for defense use or resale, with certain restrictions of farm commodity resale, and to transfer material in excess of defense program needs to the national stockpile.

**Section 304** -- Permitted the government to borrow up to \$2.1 billion at any one time to carry out activities under Sections 302 and 303.

**Section 714** -- Created a Small Defense Plants Administration to encourage small-business participation in defense procurement and construction, recommend loans to small businesses for defense purposes, and help small businesses get defense contracts. (This section expired July 31, 1953, and SDPA activities have been taken over by the Small Business Administration.)

**Revenue Act of 1950** (PL 814, 81st Congress). Section 124A provided for an accelerated five-year tax amortization plan for owners of plants or facilities of which at least a portion was certified by the government as necessary for defense. This provision applies to any defense-supporting industrial facility on which construction was completed after Dec. 31, 1949. It permits a plant owner who obtained a "certificate of necessity" to write off, for tax purposes, the entire cost of the facility, or defense-related portion thereof, over a five-year period at a maximum rate of 20 percent a year. Normal amortization periods vary up to 25 years.

**Small Business Act of 1953** (PL 163, 83rd Congress). Created the Small Business Administration, which was designed to take over functions of the Small Defense Plants Administration, make loans to small businesses for defense expansion and other purposes, and help small businesses get defense contracts by such methods as issuance of "certificates of competency" indicating the small business is competent to carry out a specific government contract.

## INDUSTRIAL DISPERSION

**Policy Announcement** -- "There is hereby promulgated, effective immediately, the attached Industrial Dispersion policy...The Director of the Office of Defense Mobilization...shall establish general standards with respect to dispersal, which shall be followed in the granting of certificates of necessity, in the allocation of critical materials for construction purposes, and in the making of emergency loans growing out of defense production." President Harry S. Truman in an Aug. 10, 1951, directive to federal departments and agencies.

**Definition** -- "Industrial dispersion is the employment of the simple military measure of using space and topography for defense against attack and for the protection of our national defense production capacity. Dispersion will create a multiplicity of targets and reduce the relative vulnerability of any one concentration.

"The industrial dispersion program calls only for the dispersion of new and expanding defense-supporting industrial plants.

"New industrial areas generally should be 10 to 20 miles from any densely populated or highly industrialized section of an urban area, major military installation, or other critical facility..." National Security Resources Board, February, 1952.

**Dispersion Requirements** -- In August, 1952, the government put into operation a dispersal requirement program under which persons or firms applying for a certificate of necessity for accelerated tax amortization in connection with a new or expanded facility must fill out a form (Appendix B) showing the dispersion aspects of the site on which the proposed defense-supporting facility would be located.

The program requires consideration of the dispersion factor if the estimated cost of the proposed facility is \$1 million or more, or if the facility when completed will produce 15 percent or more of the national total of a product supporting national defense.

**Protective Construction Encouraged** -- "While the costs of protective construction are approximately 20 percent more than ordinary construction, the additional security is of great importance to plants which must remain in a target area. Applicants for tax amortization for facilities (which) cannot be located outside a likely target area, have been urgently advised to undertake protective construction in their new facilities. The cost of protective construction in both new and existing plants, is eligible for 100 percent rapid tax amortization." Office of Defense Mobilization report, Oct. 1, 1953.

ODM March 12, 1954 dropped the \$25,000 minimum spending requirement for protective construction before the plant owner could claim rapid amortization benefits, and extended the 100 percent accelerated tax write-off to spending for protective construction on defense-supporting plants in all 193 target areas cited by the Federal Civil Defense Administration.

## Another Great Debate?

### CHINA POLICY DUE FOR AIRING IN 84th CONGRESS

If any one issue kicks off a major foreign policy debate in 1955, chances are it will be the explosive question of U.S. relations with the two Chinas -- Communist and Nationalist.

For the moment, all sides are awaiting the outcome of UN Secretary General Dag Hammarskjöld's bid to effect release of 11 U.S. airmen jailed as spies by the Chinese Communists. Even Sen. William F. Knowland (R Calif.), who first suggested a Congressional review of foreign policy and later called for a blockade of Red China, is now "awaiting developments," according to friends.

But failure of the UN's "moral sanctions" to free the imprisoned airmen would give fresh meaning to talk of a blockade. The National Commander of the American Legion, Seaborn Collins, has said that he would urge "severe economic sanctions" and a blockade "if necessary."

Nor are these 11 the only Americans held by the Chinese Communists. Ten other servicemen are known to be in Red hands, and the Pentagon suspects that some of 460 others who are missing and "presumed dead" may be captives. The State Department has record of an additional 28 American civilians who have been imprisoned by the Communists. (See CQ Weekly Report, p. 1433.)

#### BLOCKADE OPPOSED

A majority of Democrats and Eisenhower Republicans seem to be standing with the President in his opposition to a blockade. Both Sens. Alexander Wiley (R Wis.), outgoing Chairman of the Senate Foreign Relations Committee, and Walter F. George (D Ga.), incoming Chairman, have spoken in support of the President's stand. Other Committee members opposing a blockade include Democrats John J. Sparkman (Ala.), J.W. Fulbright (Ark.) and Mike Mansfield (Mont.), and Republicans Irving M. Ives (N.Y.) and H. Alexander Smith (N.J.).

Although most Democratic Senators queried by Congressional Quarterly are reluctant to take the initiative in backing a full-scale "great debate" on foreign policy, they are fully aware of the potential political fruits of a major debate. As one said, he would welcome an explanation of the policies of "liberation, massive retaliation, seizing the initiative, and unleashing Chiang Kai-shek." These were the so-called "slogan" policies attacked by the Democrats during the 1954 Congressional campaign.

Democrats will have ample opportunity to ask questions when the Senate considers the recently negotiated mutual security pact between the U.S. and the Nationalist Government on Formosa. The ratification debate may itself touch on the blockade issue, since Nationalist China is at present the only nation attempting to blockade the Chinese mainland.

#### NATIONALIST CHINA'S ACT

The Formosa regime first announced the "temporary closing" of certain mainland ports on June 20, 1949. The U.S. replied that it could not "admit the legality" for such a move "unless the Chinese Government



declares and maintains an effective blockade" of the ports. (See CQ Weekly Report, p. 1433.) Since the Nationalists have never had sufficient ships to maintain an effective blockade, the legality of their "port closure" policy has never been accepted.

#### EMBARGO STILL HOLDS

A more important economic sanction against the Reds has been the embargo on all trade with the United States, announced on Dec. 16, 1950. Also in effect is a partial embargo on shipments of munitions and strategic materials to China, which was instituted by most nations of the free world in response to a resolution of the UN General Assembly adopted May 18, 1951.

These two trade dampers are reflected in statistics covering Free World trade with China since 1947. Exports to China dropped from \$672 million in 1947 to \$284 million in 1953. They dropped from \$452 million in 1950 (before embargo) to \$269 million in 1952 (after embargo). Free world imports from China also dropped during the later period, from \$535 million in 1950 to \$363 million in 1952. (See CQ Weekly Report, p. 1433.)

#### FREE WORLD'S SHARE?

What is not known is the percentage of trade with the free world in over-all Chinese foreign trade. Six months ago, the Communists announced that in 1953 it amounted to only 25 percent, the balance being trade with the Soviet bloc. The announcement added that this pattern was the reverse of what it had formerly been, presumably before the Korean war.

If this is true, it means that the Chinese Communists are now far more dependent upon trade with the Soviet bloc, much of which is carried overland. However, a full-scale blockade would cut off not only trade with the free world, but what is estimated as a significant amount now being carried to and from China by Polish and other Communist-bloc vessels.



## Fact Sheet

# FREE WORLD HAS CUT TRADE WITH RED CHINA

Previous events bearing on demands that the U.S. blockade Communist Chinese ports in an effort to force the release of 11 American airmen sentenced by the Reds on spy charges:

### CHINESE CLOSE PORTS

The first note from the Chinese Nationalists government to the U.S., June 20, 1949, which closed ports of the mainland, declared in part:

"...the Government of China has now decided that the following regions...shall be temporarily closed, and entry therein of foreign vessels shall be strictly forbidden..."

In reply, the United States declared in a note June 29, 1949:

"...the U.S. Government cannot admit the legality of any action on the part of the Chinese Government in declaring such ports and the territorial waters adjacent thereto closed to foreign vessels unless the Chinese government declares and maintains an effective blockade of them...the ports referred to are not under the actual control of the Chinese government..."

### U.S. EMBARGO

On Dec. 16, 1950, the United States declared an embargo of all shipments to Red China and North Korea and impounded their scarce assets in U.S. The announcement said:

"The United States Government is taking measures today to place under control all Chinese Communist assets within United States jurisdiction and is issuing regulations to prohibit ships of United States registry from calling at Chinese Communist ports ...as steps necessary to accomplish the effective control of the economic relationships between the United States and Communist China envisaged by the institution, on Dec. 3, 1950, of the requirement that no exports would be permitted to Communist China from the United States without validated export licenses.

"This action has been forced upon us by the intervention of Chinese Communist military forces in Korea..."

"If the Chinese Communists choose to withdraw their forces of aggression and act in conformity with United Nations principles, this government will be prepared promptly to consider removing restrictions and restoring normal trade relations..."

### UN'S RESOLUTION

On May 18, 1951, the General Assembly of the United Nations adopted an embargo resolution to meet the aggression in Korea. The resolution recommended "that every State apply an embargo on the shipment to areas under the control of the Central People's Government of the People's Republic of China and of the North Korean authorities of arms, ammunition and implements of war, atomic energy materials, petroleum, transportation materials of strategic value, and items useful in the production of arms, ammunition and implements of war."

## AMERICANS HELD BY REDS

### Servicemen

In addition to the 11 Air Force men sentenced as spies by the Chinese Communists, these additional servicemen are believed by the Pentagon to be alive and held by the Chinese Communists:

#### AIR FORCE

1st Lt. Lyle W. Cameron, 5102 Garland Street, Lincoln, Neb.  
Capt. Harold E. Fischer, Swea City, Iowa  
1st Lt. Roland W. Parks, 7926 Shirley, Omaha, Neb.  
Lt. Col. Edwin L. Heller, 480 Warwick Rd., Wynnewood, Pa.

### NAVY

Dwight C. Angell, 2220 Ivanhoe Street, Denver.  
Ronald A. Beahm, 886 Ventura Street, Altadena, Calif.  
Clifford R. Byers, Route 1, Pollock, Tex.  
William F. McClure, Jr., 4954 63rd Street, San Diego.  
Paul A. Morley, 1140 Oberlin Drive, Glendale, Calif.  
Lloyd Smith, Jr., 327 Title S Housing, Naval Air Station, Barbers Point, Oahu, Territory of Hawaii.

### Civilians

The State Department has compiled this list of 28 American civilians known to be imprisoned by the Chinese Communists.

Malcolm Bersohn, 551 Fifth Ave., New York. Medical student.  
Dr. and Mrs. Homer V. Bradshaw, 156 Fifth Ave., New York. Presbyterian missionaries.  
Lawrence Robert Buol, 116 N. San Joaquin St., Stockton, Calif. Businessman.  
The Rev. John William Clifford, 2970 20th Avenue, San Francisco. Jesuit.  
The Rev. Justin Garvey, 1901 West St., Union City, N.J. Passionist Fathers.  
The Rev. Fulgence Gross, 1434 W. 51st St., Chicago. Franciscan.  
The Rev. John Alex Houle, 821 Market St., San Francisco. Jesuit.  
Dilmus T. Canady, 1415 Bonnie Brae, Houston. Businessman.  
Levi A. Lovegren, Seattle. Baptist missionary.  
Paul Mackinsen, Baltimore. Lutheran World Federation.  
Robert McCann, 1769 Foothill Blvd., Altadena, Calif. Businessman.  
The Rev. Charles Joseph McCarthy, San Francisco. Jesuit.  
The Rev. Joseph Patrick McCormack, Ossining, N.Y. Maryknoll Fathers.  
Dorothy Middleton, 2230 S. Laramie Ave., Cicero, Ill. Missionary to Lepers.  
Harriet Mills, 435 W. 119th St., New York. Exchange scholar.  
Sarah Perkins, 156 Fifth Ave., New York. Presbyterian missionary.  
The Rev. Thomas Leonard Philips, San Francisco. Jesuit.  
The Most Rev. Ambrose H. Pinger, Chicago. Franciscan.  
Armand Proulx, Lawrence, Mass. Jesuit.  
Hugh Francis Redmond, S. Floral Lane, Yonkers, N.Y. Businessman. (Peiping announced Sept. 13, 1954, he had been sentenced as an alleged spy to life imprisonment.)  
Mr. and Mrs. W.A. Rickett, 309 Malden Ave., N.W., Seattle. Peking University.  
The Rev. Harold W. Rigney, Chicago. Franciscan.  
The Rev. John Paul Wagner, Chicago. Franciscan.  
John Thomas Downey, Army civilian. Sentenced to life imprisonment for alleged spying Nov. 23, 1954.  
Richard George Fecteau, Army civilian. Sentenced to 20 years for alleged spying Nov. 23, 1954.  
The Rev. Marcellus White, 4 Bemis Ave., Waltham, Mass. Passionist Fathers.

In addition, the State Department said three American priests are held under house arrest, and 13 civilians have been unable to obtain exit permits.

## Trade With China

Free world trade with the China mainland and the entire Soviet block, including Red China (in millions of dollars):

Year	Exports to		Imports from	
	China	Soviet bloc	China	Soviet Bloc
1947	\$672	\$2,006	\$418	\$1,422
1948	534	1,969	487	2,005
1949	324	1,680	426	1,788
1950	452	1,545	535	1,727
1951	446	1,685	522	1,873
1952	269	1,422	363	1,608
1953	284	1,394	434	1,638



## pressures on congress

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### STATE TAX LOBBIES

Those state and local taxes which take a big bite out of your pocketbook each year will touch off some lively lobbying at the grass roots in state legislatures in 1955.

While national attention concentrates on federal tax-revision efforts, both labor and business groups intend to pressure for "more equitable" community taxes. The big dispute will come over ways and means.

Led by the Congress of Industrial Organizations and American Federation of Labor union interests will fight for state and local taxes which place greater emphasis on progressive income tax levies, and less on sales and property taxes. This, they will argue, will lessen the present "disproportionate" burden on low and middle income families.

Local chambers of commerce, business federations, and tax foundations, with indirect links to the Chamber of Commerce of the U.S. and the National Association of Manufacturers, will counter with campaigns of their own against "incentive-stifling" progressive taxes on business. They will also try to make the present ability-to-pay system "less onerous."

These are essentially the same arguments involved in the labor-business dispute over federal taxes -- which may also erupt again in the 84th Congress.

#### FACTS AND FIGURES

Here are basic facts agreed upon by both sides:

Although federal tax revenues are now heading downward, state and local tax collections are still going up.

Because about 85 per cent of Uncle Sam's budget now goes to meet the cost of national defense, past and present, state and local taxes are accounting for more than two-thirds of revenue spent for such civilian needs as schools, highways and hospitals.

Chief source of State revenue is the sales tax, while at the local level it is the property tax.

Existing state and local taxes are "unfair" -- whether to business or consumers depends on your viewpoint -- and should be revised.

#### WAYS AND MEANS

Labor spokesmen claim business income taxes in most states today are "shockingly low." They declare that sales and payroll taxes penalize lower-income families. "Those who represent special interests

know that a dollar in taxes levied by states and local governments cost the wealthy much less than a dollar collected by Uncle Sam," charges CIO in its current Economic Outlook. "That's why they exert every effort to undermine the progressive nature of our tax structure."

Officials in CIO headquarters are urging "a campaign of education and political action" in 1955, when 44 state legislatures will be in session, to help institute "genuinely progressive income taxes" in a majority of states. They are also urging a program of tax reform including such steps as community inventories to insure that all property is listed on the tax roll; ending of assessment "favoritism;" reassessments to jack assessed values up to current real levels; "more effective" corporate profits taxes, and placing the tax assessor's office on a civil-service, non-political basis.

Officials of the Chamber and the NAM retort that progressive taxation is not necessarily the answer to the problem. "We've been sold the idea too long that taxing the rich is 'progressive,'" says one Chamber official. "We now have a tax structure conceived by Karl Marx to liquidate the middle class!" asserts Fred Maytag II, director of NAM's Taxation Committee.

Chamber spokesmen are inclined to advocate a program of adapting different types of taxes to different areas. "No single tax is the answer -- in farm areas you need property taxes, and in industrial regions only

### Where Revenue Comes From

State and local taxes will be in the spotlight in 1955. Labor claims too much reliance is being placed on sales and property taxes. Business interests plan to fight "incentive-stifling" progressive income taxes on business.

Governmental units in 1953 used taxes to collect about three dollars out of every four of their total revenue. Figures in the following Bureau of the Census breakdown of sources of governmental revenue in 1953 give the percentage distribution of total revenue:

Revenue Item	Local	State	Federal	All Govts.
Taxes				
Individual income	0.6	6.4	39.7	29.3
Corporation income	*	5.3	28.3	20.9
Sales, gross receipts, and customs	4.7	40.8	13.8	16.4
Property	58.6	2.4	--	8.8
Death and gift	*	1.5	1.2	1.0
Licenses, permits, others	3.3	13.0	0.7	2.8
ALL TAXES	67.4	69.3	83.6	79.2
Charges and miscellaneous	15.1	7.9	7.8	8.9
Utility and liquor store revenue	15.7	6.4	--	3.2
Insurance-trust revenue	1.9	16.4	8.6	8.8
TOTAL REVENUE	100.0	100.0	100.0	100.0

\*Less than 1/20 of 1 percent.

an income tax backed up by excises will serve," says a Chamber spokesman.

NAM officials contend the main problem in states, as well as at the federal level, is to place less reliance on "progressive" taxes -- "a structure which destroys ambition, penalizes success, discourages investments, and may well turn a nation of risk-taking entrepreneurs into a nation of softies."

## Convention Report

### CIO

The Congress of Industrial Organizations, at its 16th constitutional convention Dec. 6-10 in Los Angeles, Calif:

Urged a merger with the AFL "based on the principles of free democratic unionism."

Announced as a goal a "guaranteed annual wage" for labor.

Authorized the CIO Political Action Committee to continue to "direct and expand" its political activities.

Called for a raise in the minimum wage to at least \$1.25.

Promised to "work for the replacement of the Taft-Hartley Act with a fair and just labor relations law."

Urged modification of the Atomic Energy Act to provide "greater opportunities for public development of atomic power, and insertion of strong safeguards to protect the nation against monopolistic development of atomic energy for peacetime uses."

Favored a continuation of the present draft law in lieu of "any plan for universal military training."

Asked for an "extension and liberalization of international trade programs" including such tariff reductions "not destructive" of "basic" American industry.

Recommended removal of "existing restrictions" on public housing and a "much increased program to overcome housing shortages."

Delegates also:

Favored a program of public works to take up the slack in employment in "depression-hit areas;" preservation of Tennessee Valley Authority as a public enterprise; restoration of appropriation cuts in the Rural Electrification Administration; a program of federal aid to education; enactment of a National Health Program; implementation of the Supreme Court's "historic" decision on school segregation; statehood for Alaska and Hawaii, and "strengthening rather than the abandonment of the United Nations."

## Convention Report

### FOREIGN TRADE COUNCIL

The National Foreign Trade Council, Inc., Dec. 9 released a "final declaration" of its 41st convention held Nov. 15-17 in New York. The group:

Urged "vigorous action on the part of our government to secure the attainment and maintenance of a pattern of international trade, multilateral in character, free of discriminations and burdensome restrictions, and affording access on substantially equal terms to materials and markets."

## Scientists and Security

Three scientific groups proposed changes in the nation's internal security program last week.

The board of directors of the American Association for the Advancement of Science Dec. 9 urged a change in internal security policy from one "that attempts almost exclusively to minimize our losses to one that places greatly increased emphasis on maximizing our gains." The board said present policy places emphasis on keeping "scientific progress secret." It recommended emphasis on "further progress and more advanced application" of scientific knowledge.

An executive committee of the Federation of American Scientists said Dec. 11 there was evidence the government's security program "now is under substantial review." The statement expressed hope that the review "will result in prompt improvement incorporating a shift of emphasis toward the positive approach."

The Atomic Scientists of Chicago Dec. 14 urged an end to "political abuse of the nation's security system" and called for "a new approach to the security problem." The group, associated with the Federation of American Scientists, issued the statement in connection with the resignation of Dr. Edward U. Condon as director of research and development for the Corning Glass Works at Corning, N.Y. Dr. Condon's security clearance was suspended by the Navy in October.

Called on the government to encourage private investment abroad.

Held that "government intervention" in foreign trade "is to be countenanced only when the circumstances are such that private enterprise cannot reasonably be expected to assume responsibility for the undertaking and then only when considerations of national policy make the undertaking desirable."

Declared it "imperative" that our membership in the United Nations "should not result in the loss of our economic independence..."

Recommended prompt enactment of legislation improving methods of "determining customs valuation" and "establishing currency values for the assessment of duties on imported merchandise."

Opposed participation in the projected Special United Nations Fund for Economic Development or other proposed monetary organizations which would "provide public funds for marginal development projects."

## Convention Report

### NAM

The National Association of Manufacturers held its 59th congress in New York Dec. 1-4. Highlights of speeches made before the group:

Kenneth R. Miller, a senior vice president, said Dec. 1 the NAM will "work unceasingly to reduce the size and power of the federal government" and would "continue to press for a sensible and non-discriminatory tax system which will stimulate and not penalize progress."

Fred Maytag II, director and chairman of the NAM taxation committee and president of the Maytag Company, announced Dec. 2 that an "orderly five-year plan for substantially reducing the high and discriminatory rates of federal income tax" had been approved by the NAM board of directors. Maytag added that the present tax structure "destroys ambition, penalizes success, discourages investments to create new jobs, and may well turn a nation of risk-taking entrepreneurs into a nation of softies who place security above opportunity."

Charles R. Sligh, Jr., NAM board chairman and president of Sligh-Lowry Furniture Companies, said Dec. 2, the guaranteed annual wage "does more than add another very often fatal risk to business enterprise...it freezes the cost of labor at a level which could prove disastrous during a period of business and decline and operates to make borrowing and financing more difficult than it would normally be."

Ralph J. Cordiner, president of the General Electric Company, said Dec. 2, "If private industry is given the opportunity to proceed with the development of atomic power, it is our optimistic estimate that by 1976, 50 percent of new electric power installations will be atomic."

G.E. Morse, vice president of Minneapolis-Honeywell Regulator Company, said Dec. 3, referring to the proposed CIO-AFL merger, that "it seems consistent with their apparent move deeper into politics. Certainly if the top union leaders are determined to supplement or even on certain items to replace collective bargaining with political action, a single organization would appear to afford them considerable political advantage."

Henry G. Riter, 3rd, was elected president of NAM to succeed Harold C. McClellan. Riter is president of Thomas A. Edison, Inc.

## PRESSURE POINTS

**Veterans** -- Seaborn Collins, American Legion national commander, said Dec. 8 that he would urge President Eisenhower to take "severe economic sanctions" against the Chinese Communists in order to gain the liberation of 13 imprisoned Americans. On Dec. 9, Collins said he told Mr. Eisenhower the Legion favors "any means" of securing release of the prisoners. The national commander of the Veterans of Foreign Wars, Merton B. Tice, said Dec. 11 "it's time for the U.S. to do some fist-doubling and nose-punching" to get back the 13 Americans. Tice's statement was made at a VFW Post banquet in Bensenville, Ill. Tice added: "We have contented ourselves far too long with mere protests that go unheeded and are thrown back in our face."

**Natural Gas** -- George V. Holton, chairman of the board of Socony-Vacuum Oil Company, Inc., said Dec. 10: "I see no more reason to set up an OPA for natural gas producers than to impose price controls on the producers of oil, steel, copper or automobiles." The letter containing the statement and sent to 175,000 shareholders, referred to the 5-3 Supreme Court decision in June asserting the authority of the Federal Power Commission to regulate under the Natural Gas Act of 1938 the sales of natural gas if interstate commerce is involved. Holton added "the competitive system offers the consumer better price protection than would federal regulation and without the incident risk of discouraging the development of additional gas reserves."

**Business** -- President Clem D. Johnston of the Chamber of Commerce of the U.S., Dec. 10 called on Congress and the Administration to "undertake active investigation" of certain union activities which he described as "clearly contrary to the public interest." Johnston, speaking before the annual meeting of the Harrisonburg-Rockingham, Va., Chamber of Commerce, said the "abuse of union power is largely uncontrolled because labor unions have been specifically exempted from the anti-trust laws, and because other laws are either inadequate or are inadequately enforced."

**Farmers** -- Allan B. Kline, president of the American Farm Bureau Federation for seven years, announced Dec. 14 that he would retire on Dec. 16. He stated that the action was taken on the advice of his doctor. Kline made his announcement at the annual convention of the Federation in New York.

**Wool** -- O.R. Strackbein, chairman of the National-White Committee of Industry, Agriculture and Labor on Import-Export Policy, said Dec. 8 the General Agreement on Tariff and Trade "clothed an international body with a veto over our tariff and trade questions." Speaking before a convention of the National Wool Growers Association in Salt Lake City, Strackbein added that the State Department entered into GATT in 1947 "without authority from Congress." The department wants to use the tariff as "a pawn of diplomacy," he added.

**China Groups** -- The free China political organizations, dedicated to the overthrow of the Red Government from within, issued a statement Dec. 11 criticizing Chiang Kai-shek for signing a defense pact with the U.S. The statement claims the treaty "freezes" Chiang "in status quo and limits his sphere of activities to the islands of Formosa and the Pescadores." The groups, headed by Gen. Li Tsung-jen, former acting President of China, claim to represent a majority of 13 million overseas Chinese and to have underground contacts in Communist China.

**Coal** -- Joseph E. Moody, president of the Southern Coal Producers' Association, said Dec. 9 that importation of residual fuel oil is part of a "scheme by a petroleum cartel" for division of the world oil market. Speaking before the 68th annual meeting of the Coal Mining Institute of America, in Pittsburgh, Moody said residual oil annually replaces the equivalent of 50 million tons of coal and is a major factor in the "existing depression" in the coal industry. Residual oil, a product that is left over in the refining process, is used in industrial heating plants. On Dec. 10 the National Coal Association called on Congress to protect the depressed bituminous industry from "unfair competition" by natural gas, foreign fuel oil, and federally subsidized atomic power plants. The statement was made by the Association's board of directors after a two-day conference in Washington, D.C.

**Tariff** -- Charles P. Taft, president of the Committee for an International Trade Policy, Dec. 8 endorsed President Eisenhower's foreign trade program. Speaking at the American Merchant Marine Conference in Miami, Fla., Taft said it was a "modest and reasonable program" to boost two-way foreign trade.





### BUTLER'S POLICY

Paul M. Butler, chairman-elect of the Democratic National Committee, said at his first Washington press conference Dec. 10 that Democrats have an obligation "to scrutinize, to challenge and to debate" actions of the Eisenhower Administration. But Butler said his party will not attack the President's "honor, integrity or loyalty."

In elaborating on his own "gloves-off" policy regarding the President, Butler stated: "I will never vilify the President...but all of the roars" of the Republican National Committee "will not deter me from calling attention to the failures of the President." He claimed Mr. Eisenhower has been unable to unify Republicans on such questions as the Bricker amendment, economic aid to Asia, state "right-to-work" laws and dealings with Communist China.

It would be "presumptuous", he said, to assume that Adlai E. Stevenson will be the 1956 Democratic Presidential nominee. On Dec. 8, Butler stated that if Stevenson wanted the 1956 nomination he would have to work for it; there would be no repetition of the 1952 "draft," he said.

Butler conferred with former President Harry S. Truman in Kansas City on Dec. 8. Truman made it clear that his pre-election opposition to Butler as Democratic chairman had not been personal, but grew out of an Indiana factional dispute. The ex-President pledged his support to Butler.

Both Sen. Albert Gore (D Tenn.) and Gov.-elect Averell Harriman (D N.Y.) have endorsed Butler's "gloves-off" policy regarding the President. Harriman said Dec. 8 Democrats should hold Mr. Eisenhower responsible for "unworthy GOP campaign tactics" and other party activity. Gore said Dec. 11 he was "tired of excusing" the President's actions on grounds of "bad advice."

### "IRRESISTIBLE DEMAND"

Sen. Eugene D. Millikin (R Colo.), Chairman of the Senate Republican Conference, said Dec. 10 that there is already an "irresistible demand that the President be a candidate for another term, and I don't think he can be beaten if he runs."

James C. Hagerty, White House press secretary, said Dec. 13 that it would be "foolhardy" for Republicans to nominate any man other than Mr. Eisenhower for the Presidency in 1956. Hagerty said "no one is as qualified" for the post, and Mr. Eisenhower is more popular than ever.

Senate Majority Leader William F. Knowland (R Calif.) declined to speculate on 1956, but did urge GOP unity in the 84th Congress behind the Eisenhower legislative program. The Administration's legislative record during the next two years will have a direct bearing on the 1956 campaign, he stated. Both Knowland and Millikin discounted "third-party" talk.

### VAN FLEET-McCARTHY

Gen. James A. Van Fleet Dec. 11 broke with Sen. Joseph R. McCarthy (R Wis.) because of the latter's Dec. 7 criticism of President Eisenhower. Van Fleet had been a leader of an organization known as Ten Million Americans Mobilizing for Justice, which opposed censure of McCarthy. But after McCarthy's blast at Mr. Eisenhower, Van Fleet wired the Senator that he no longer could support him. (See CQ Weekly Report, pp. 1401, 1424.)

### STATE ROUNDUP

**ALABAMA** -- Silas Garratt, state attorney general was arrested Dec. 13 on a charge of murder in connection with the June 18 shooting of Albert L. Patterson, an anti-vice crusader, in crime-ridden Phenix City. Two other men charged with law enforcement have been arrested on the same charge.

**FLORIDA** -- Paul G. Rogers (D), 33, West Palm Beach attorney and son of the late Rep. Dwight L. Rogers (D), and the Rev. Hollis Hart (R) of Lake Worth, qualified as candidates for a Jan. 11 special election in the Sixth District to fill the seat left vacant by Rogers' death on Dec. 1. (See CQ Weekly Report, p. 1402.)

**ILLINOIS** -- Martin H. Kennelly (D) is a candidate for a third four-year term as Chicago's mayor. He will have primary opposition from Benjamin S. Adamowski, former city corporation counsel, and perhaps also from Richard J. Daley, Cook County Democratic chairman. Robert E. Merriam, alderman of the Fifth Ward, formerly represented by Sen. Paul H. Douglas (D Ill.), is the candidate on the Republican ticket.

**MARYLAND** -- Charles M. Ireland, former U.S. attorney for the District of Columbia and an unsuccessful candidate for Congress in the Sixth District this year, was named Montgomery County attorney on Dec. 14.

**NEW JERSEY** -- The Board of Canvassers on Dec. 14 certified the election of ex-Rep. Clifford P. Case (R) to the Senate. Case defeated Rep. Charles R. Howell (D) by about 3,000 votes. (See CQ Weekly Report, p. 1391.)

**NEW YORK** -- Carmine G. DeSapio, Democratic National Committeeman and leader of Tammany Hall, Dec. 14 was named secretary of state by Gov.-elect Averell Harriman. It was the first time in recent years that such a high state office has gone to a Tammany leader.

**WISCONSIN** -- The GOP State Executive Committee Dec. 10 commended both President Eisenhower and Sen. Joseph R. McCarthy (R) for their battle against Communism. But State Chairman Robert L. Pierce observed that McCarthy had "stubbed his toe badly" in criticizing the President, while Talbot Peterson, Outagamie County chairman, defended McCarthy and criticized the President for congratulating Sen. Arthur V. Watkins (R Utah) after McCarthy had been condemned by the Senate. (See CQ Weekly Report, p. 1424.)





## the executive branch

### WHITE HOUSE CONFERENCE

President Eisenhower conferred with Congressional leaders Dec. 13-14 and outlined the Administration's 1955 legislative program.

The Dec. 13 meeting was attended by Republican leaders from both the House and Senate and dealt mainly with the President's domestic legislative program. The Dec. 14 meeting, attended by Democratic and Republican Congressional leaders, covered foreign affairs, national defense and mutual security.

Highlights of the Dec. 13 conference:

**Taxes** -- A GOP lawmaker who attended the conference said the Administration would seek postponement of corporation and excise tax cuts scheduled to go into effect April 1, 1955. The corporate income tax rate is slated to drop from 52 to 47 percent, which would mean an annual revenue loss of \$2 billion. Scheduled excise tax cuts would result in about a \$1 billion revenue drop.

**Postal Rates** -- Postmaster General Arthur E. Summerfield said after the meeting he again was recommending a \$240.5 million increase in postal rates.

**Public Housing** -- Albert M. Cole, head of the Housing and Home Finance Agency, said Congress would be asked to authorize an additional 70,000 new public housing units over a two-year period.

**White House Report** -- Following the conference, the White House issued a formal statement outlining the subjects discussed. They included:

Extension of the Defense Production Act and reorganization of executive agencies.

Continuation of the Small Business Administration, Statehood for Hawaii.

Lowering the voting age to 18.

Home rule for the District of Columbia.

Foreign economic policy stemming from the Randall Commission report calling for tariff cuts and a three-year extension of reciprocal trade.

Highway construction, including the President's \$50 billion road-building program.

Review of the farm and fiscal situations.

Salary increases for military personnel and increased medical care, survivor's benefits, and better housing for servicemen's families.

A national health program, including health reinsurance.

Revision of the Fair Labor Standards Act and amendment of the Taft-Hartley labor law.

Highlights of the Dec. 14 conference:

**White House Report** -- The White House announcement following the conference disclosed that:

The President planned step-by-step consultations with Congressional leaders of both parties on foreign affairs, national defense and mutual security.

Secretary of State John Foster Dulles "recommended that the Senate give early consideration to the ratification of the Manila Pact and the Mutual Defense Treaty" with nationalist China, and to admission of West Germany to NATO.

### Eisenhower Meets Press

At his 56th White House news conference Dec. 15, President Eisenhower said meetings with Congressional leaders of both parties convinced him he will get very real cooperation from the Democratic-controlled 84th Congress in matters of foreign policy, national defense, and foreign aid. Mr. Eisenhower added that he did not know if there would be a set pattern of meetings with Congressional leaders, but he said he had asked Democratic leaders to see him whenever they needed consultation on legislative and policy matters.

The President also:

Said he will ask the 84th Congress to postpone the scheduled April 1, 1955, cuts on corporation and excise taxes because the budget deficit makes it necessary to keep federal revenue up.

Indicated, but did not say specifically, the Administration might be thinking of a further cut in active strength of the armed forces.

Said the question of whether to ask Congress for an increase in the 75-cent-an-hour minimum wage is under intensive study.

Declined comment on where power rests to decide possible use of atomic weapons.

Clarence B. Randall, presidential consultant on foreign trade policy, recommended setting up "an international finance corporation under the auspices of the world bank..."

**Democrats Report** -- Sen. Lyndon B. Johnson (D Tex), slated to be majority leader in the new Senate in 1955, told newsmen after the meeting that Democrats agree "action should be taken" and "will be taken" on reducing tariffs by 15 percent over a three-year period, a new military manpower reserve program, and incentive pay increases for career military personnel. Johnson quoted the President as saying he wanted "honest, true bipartisanship." He also said the Administration had not yet decided "as to the extent, degree or method" of an Asian economic aid program.

### DODGE APPOINTMENT

Joseph M. Dodge, former budget director, was named by President Eisenhower Dec. 11 to head the newly created Council of Foreign Economic Policy. The White House said the council will "try to settle policy problems at the agency level before they get up to the President," and will direct American policy on foreign aid, trade, and investments.

### RECESS APPOINTMENTS

President Eisenhower Dec. 15 gave recess appointments to:

Joseph Campbell, former member of the Atomic Energy Commission, as comptroller general of the United States.

George A. Blowers, as a member of the Export-Import Bank board of directors.

Ervin L. Peterson, as Assistant Secretary of Agriculture.

#### AMERICAN-CHINESE EXCHANGE

The State Department indicated Dec. 15 it might consider an offer from Communist China to exchange 35 Chinese students in the U.S. for 11 U.S. airmen imprisoned by the Reds. Lincoln White, Department press officer, said the U.S. attitude toward an exchange offer, if it is forthcoming, will "depend entirely on the nature of the offer and the circumstances..." The fliers have been imprisoned for two years in violation of the Korean peace agreement. The students have been denied exit permits under terms of the McCarran-Walter Immigration law. The Department earlier said it would rule out any proposal to exchange the students for the airmen.

#### MANPOWER REDUCTION

Secretary of Defense Charles E. Wilson said Dec. 15 there will be a reduction in military manpower next fiscal year, principally in the Army. A new reserve program "should mean that ultimately you could have less men in uniform," Wilson said.

#### AID-FOR-ASIA PROGRAM

Foreign Aid Director Harold E. Stassen said Dec. 9 the United States wants Western European nations to make direct government appropriations for a new Aid-to-Asia program which he plans to introduce in March. The program, which he declined to detail in size or method, would be limited to "the minimum to do the job," Stassen said.

#### FARM SUPPORTS CUT

Secretary of Agriculture Ezra Taft Benson Dec. 13 reduced price supports on small feed grains and gave farmers free rein in acreage planting allotments assigned their farms.

#### U.S. TRADE WITH REDS

Secretary of Agriculture Ezra Taft Benson said Dec. 15 the Administration is considering direct sales to Iron Curtain countries. Sales of "butter or anything else" might be to nations selling to Russia and her satellites, he said.

#### FARM SURPLUS

A record high of \$7 billion has been reached in surplus farm products stored under price support programs. The Department of Agriculture's Dec. 15 report showed that loans totaling \$2.5 billion had been advanced farmers on grains, cotton, tobacco and other products, as of Dec. 31.

#### POWER CONTRACT

Sen. Clinton P. Anderson (D N.M.), in a letter to the Securities and Exchange Commission Dec. 13, said Congress might direct the Atomic Energy Commission to cancel the proposed Dixon-Yates power contract unless it was "very substantially modified." He urged the SEC, which was holding hearings on the Dixon-Yates' application for approval of a stock financing plan, to withhold approval until the Joint Atomic Energy Committee took another look at the contract in the 84th Congress. (See CQ Weekly Report, p. 1426.)

## Around The Capitol

### LEGISLATIVE FORECASTS

Legislation expected to come under consideration in the 84th Congress:

Taxes -- Rep. John W. Byrnes (R Wis.) said there is a "good likelihood" that Congress will continue the present corporate and excise taxes. Speaker Joseph W. Martin (R Mass.) also recommended retention of the existing rates.

Cotton -- Sens. James O. Eastland (D Miss.) and Lister Hill (D Ala.) announced they would introduce legislation to increase the 1955 cotton acreage quota to 19.5 million acres. Rep. E.C. Gathings (D Ark.) suggested that Congress set up a two-year cotton acreage program next year rather than follow present one-year plans.

Tariffs -- Reps. Frank Icard (D Tex.) and Omar Burleson (D Tex.) said they would seek tariff protection for independent oil producers from heavy imports of foreign oil.

### COTTON CONTROLS

Farmers voted to continue rigid federal production controls on cotton in a referendum held Dec. 14. Returns from the 20 cotton-growing states showed 92 percent of the growers favored marketing quotas on the 1955 cotton crop.

### CONGRESSIONAL BRIEFS

#### LEHMAN ACCUSES MCCARTHY

Sen. Herbert H. Lehman (D N.Y.), at a Dec. 13 dinner where he received the Four Freedoms award, accused Sen. Joseph R. McCarthy (R Wis.) of rendering "great service" to the Communist cause by "painting a false and alarming picture of a nation riddled and corroded with communism."

#### CELLER ATTACKS REFUGEE ACT

Rep. Emanuel Celler (D N.Y.) attacked Scott McLeod's administration of the Refugee Relief Act of 1953 as "insane, arbitrary and savage." Celler added that a refugee "must go through an obstacle race" of reports and investigations by the "McLeod bureaucracy" to gain admittance to the country. (See CQ Weekly Report, p. 1042.)

#### BENDER BECOMES SENATOR

George H. Bender (R Ohio) signed official Senate papers Dec. 15 and went on the Senate payroll, although he will not be sworn in until Congress meets Jan. 5, 1955. Bender defeated incumbent Sen. Thomas A. Burke (D Ohio) for the remaining two years of the term of the late Sen. Robert A. Taft (R). (See CQ Weekly Report, pp. 1423, 1376.)

#### RICHARDS ON ASIAN AID

Rep. James P. Richards (D S.C.), who will become Chairman of the House Foreign Affairs Committee, said Dec. 15 he would defend any extended economic aid to Asia proposed by the Eisenhower Administration. But Richards said he would not go as high as the \$2 billion mentioned by unofficial sources.



## committee roundup

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### Action

#### ELECTION PROBE

Committee. House Special Committee to Investigate Campaign Expenditures.

Action. Samuel H. Still, special counsel for the Committee, declared Dec. 10 the November election in the Ninth District of North Carolina should be nullified because of 25 to 30 types of "fraudulent irregularities." (For background, see CQ Weekly Report, p. 1428.) Still urged the Committee to report the situation to the U.S. Attorney General.

Rep. C.W. (Runt) Bishop (R Ill.), Chairman of the Committee, said Dec. 14 he had set no date for a hearing on the reports.

#### REPORT ON "NEO-FASCISTS"

Committee. Staff of the House Un-American Activities Committee.

Action. A Committee source Dec. 14 showed newsmen a staff-prepared report -- not yet approved by the Committee -- on "neo-Fascist" and "hate groups" in the U.S.

The report singled out the National Renaissance Party as a "neo-Fascist organization," which was "clearly subversive and un-American." The report recommended prosecution of the NRP under the Smith Act. The report also described the semi-monthly publication, "Common Sense," as a "clearing house for hate propagandists."

The report concluded that "those who would support the extreme right today do as great violence to our Democratic institutions as those on the extreme left."

### Hearings

#### INSURANCE COMPANY TAXATION

Committee. House Ways and Means Subcommittee on Taxation of Life Insurance Companies.

Held Hearings. Dec. 13-15 to develop a permanent method of federal taxation of life insurance companies.

Dec. 14. Arguing for lower federal income taxes on the insurance business, Haughton Bell, vice president of Mutual Life Insurance of New York, said the field is "already overburdened" with taxes. He sought continuation of the present method of taxation but at a lower rate.

Dec. 15. Carrol M. Shanks, president of the Prudential Insurance Company, told the Subcommittee heavy taxation is "an onerous burden to place on thrift" and called the life insurance field "the most highly taxed form of private thrift in America." Shanks suggested investment income earned by companies on private pension funds should be made tax-free.

#### CHINA EDITOR ACCUSED

Committee. Senate Judiciary Special Subcommittee on Internal Security.

Held hearing Dec. 13 in San Francisco to investigate John W. Powell, editor of the now-defunct China Monthly Review. Powell did not appear although he had been subpoenaed. Sen. Herman Welker (R Idaho), sitting as a one-man committee, said Powell had distributed "vicious propaganda in behalf of Communist China." Also subpoenaed was Powell's wife, who invoked the Fifth Amendment. She later was discharged from her secretarial job with the National Foundation for Infantile Paralysis.

#### UN-AMERICAN ACTIVITIES

Committee. House Un-American Activities.

Held Hearings Dec. 14-15 on Communism in Hollywood and labor unions. (See CQ Weekly Report, p. 1412.)

Testimony. Dec. 14. Nicholas Bela, Hungarian-born writer and actor, testified about his membership in a Communist Party cell in Hollywood from 1937-1943. Bela said he knew that in 1937 Brandon Films, Inc., of New York distributed films to promote Communism. The Committee agreed to ask the Justice Department to investigate the matter.

Dec. 15. Arthur O'Hare, official of the United Electrical Workers Union (Ind.) at the Ingersoll-Rand Plant, in Phillipsburg, N.J., refused to say whether he is now a Communist on grounds of possible self-incrimination. O'Hare also refused to say what part, if any, the Communist Party played in his election in 1952 as a business agent for local 451 of the union.

Related Development. Thomas J. Brandon said Dec. 14 in New York his firm had been distributing "classical" and "cultural entertainment value" films made in Russia, added this was only a "small part" of films handled by the Company.

### PROBES COMING UP

Members of Congress have proposed investigations of the following matters:

Public vs. Private Power -- Chairman William Langer (R N.D.) said Nov. 29 the Senate Judiciary Anti-trust and Monopoly Legislation Subcommittee will hold hearings between Dec. 25, 1954, and Jan. 1, 1955, on the Dixon-Yates contract and other power issues.

New Peress Probe -- Sen. Arthur V. Watkins (R Utah) said Dec. 4 he will recommend a new investigation into the reasons why Major Irving Peress was promoted and given an honorable discharge after he had pleaded Fifth Amendment protection before Sen. Joseph R. McCarthy (R Wis.).

Unaddressed Ads -- The Senate Post Office Committee announced Dec. 10 it will hold hearings early in 1955 on advertising mail with no specific address which is delivered to homes by the Post Office Department.

Pornographic Matter -- Sen. Robert C. Hendrickson (R N.J.) announced Dec. 14 the Senate Judiciary Special Subcommittee on Juvenile Delinquency will investigate the "utterly indecent" sales of pornographic materials totaling \$100-300 million a year. No hearing dates are set.



## congressional quiz

1. Q--What's the difference between flexible and rigid farm price supports?

A--Flexible supports are high when there's a shortage of farm commodities or when supply and demand are balanced, low when there's a surplus. Rigid supports provide the same price guarantee no matter what the supply situation. According to the theory of flexible supports, lower supports discourage production and help melt surpluses.

2. Q--How big is the farm surplus?

A--No accurate figures are available on surpluses, as such, but statistics on government inventories of price-supported commodities provide a rough guide. Federal holdings totaled about \$3.9 billion on Sept. 30, 1954, compared to about \$2.4 billion a year earlier. Some of the inventory, however, is normal reserve, rather than surplus.

3. Q--How prosperous are American farmers?

A--One of the keys to the answer is the parity ratio, which measures the purchasing power of the money the farmer gets when he sells his crops. In November, the parity ratio was 87 percent. That is, a farmer could buy 87 percent as much with proceeds of his sales as he could have bought with the money received for selling the same quantity of produce during the "normal" base period. Some farm products sell above 87 percent of parity, some below. The parity ratio was 115 percent in 1947, the post-World War II high.

4. Q--I still pay high food prices. Why are farmers complaining about the prices they receive for their crops?

A--The farmer says he's entitled to a bigger share of your food dollar. He now gets an estimated 44 cents of each dollar you spent for food. Marketing costs consume the rest. The farmer's cut varies a great deal from commodity to commodity. In 1953, for example, he got 45 cents of the consumer food dollar, but only 12 cents of each dollar spent for cotton products. Excise taxes, as well as marketing costs, take big chunks of the money you pay for tobacco and alcohol products. In 1947-49, the farmer's share of the the food dollar averaged 49 cents, but in 1935-39, he got only 40 cents.

5. Q--I've been reading a lot about foreign aid recently. What is the outlook for U.S. aid to foreign countries in 1956?

A--Although size and scope of the proposed aid program must still be determined by the National Security Council and approved by Congress, a Congressional Quarterly canvass of key officials in Congress and the executive branch indicates that total foreign aid for fiscal 1956 will be considerably less than the total for fiscal 1955. Most of the drop is expected to be in military aid. Economic aid may be greater than it was in fiscal 1955.

6. Q--What is the total of U.S. military aid and economic assistance to foreign countries appropriated for fiscal 1955?

A--Military aid totals \$2,419,000,000, economic assistance, \$301,000,000. The grand total, including miscellaneous expenditures, is \$2,782,000,000.

7. Q--Are the figures an all-time high for U.S. aid to foreign nations?

A--By no means. In 1951, military aid appropriations totaled \$5,222,000,000, while economic assistance came to \$2,399,000,000, for a grand total of \$7,621,000,000. In 1952, military aid increased to \$5,744,000,000, although both economic assistance and the over-all total were reduced.

8. Q--I read recently that the national debt is more than \$278 billion. Is there any limit on the amount the government can borrow?

A--Yes. At present, there is a temporary \$281 billion legal limit on the size of the debt. The debt ceiling will revert to \$275 billion, the permanent legal limit, unless Congress intervenes before July 1, 1955. A small part of the gross national debt, usually amounting to about \$500 million, is not subject to the statutory limit.

9. Q--Has the national debt increased much in the last year or so?

A--On June 30, 1953, the debt subject to the legal limit amounted to \$265.5 billion. By June 30, 1954, that debt had risen to \$270.8 billion. As of Dec. 3, the debt subject to limitation stood at \$278.3 billion --- an increase of \$12.8 billion in 17 months.

NOTE: CQ Weekly Report pages on which additional data may be found: (1), (2), (3), (4) 1413; (5), (6), (7) 1399; (8), (9) 1421.





## the week in congress

**Pow Wow** President Eisenhower called Congressional chiefs into his tepee for pow wows on the Administration's legislative program for 1955. One meeting was attended only by Republicans. The other was bipartisan, with Democrats as well as Republicans sitting down to smoke the peace pipe with the President. Afterwards, the White House said topics under discussion included statehood for Hawaii, 18-year-old voting, home rule for the District of Columbia, reciprocal trade extension, military pay raises, Taft-Hartley labor law amendment, and health reinsurance.

### Gloves Off

Paul M. Butler, chairman-elect of the Democratic National Committee, revealed a new "gloves-off" policy toward President Eisenhower.

Democrats, Butler said, have an obligation "to scrutinize, to challenge and to debate" actions of the Eisenhower Administration. But Butler said his Party will not "vilify" the President, not attack his "honor, integrity or loyalty."

Another Eisenhower critic, Sen. Albert Gore (D Tenn.), endorsed Butler's policy. Gore said he was "tired of excusing" the President's actions on grounds of "bad advice."

### To Run Or Not To Run

Sen. Eugene D. Millikin (R Colo.) said there is an "irresistible demand" for President Eisenhower to seek another term. And, said Millikin, "I don't think he can be beaten if he runs." James C. Hagerty, White House press secretary, contended the GOP would be "foolhardy" to nominate anyone else.

### Blockade Red China?

Proposals to blockade Red China to bring about the release of 11 U.S. airmen seemed to be simmering down. But indications were that U.S. relations with the Chinese Communists might touch off another "great debate" in the 84th Congress.

Most Democrats and Eisenhower Republicans seemed to be standing behind the President in his opposition to a blockade. The State Department, meanwhile, indicated it might consider an offer to exchange 35 Chinese students who have been denied exit permits for the imprisoned fliers.

### Enemies On Left And Right

The House Un-American Activities Committee simultaneously put the finger on enemies on both the Left and Right. The group held a hearing on Communist activities in Hollywood and labor unions, and uncovered one witness who refused to say whether he is a Communist. At the same time, a staff report was shown newsmen which designated certain organizations as "neo-fascist" and "hate groups."

## Behind The Headlines

Is wholesale dispersion of American industry and people the best answer to the threat of the H-bomb? The question hasn't been answered, according to Rep. Richard Bolling (D Mo.), because "no one knows whether effective dispersion of people and plants is practicable or wise." Bolling suspects that it is, but wants Congress to set up a special joint committee to study "The Economics of Atomic Defense." If Congress does so and

concludes that mass dispersion is feasible and necessary, it will have to provide the ways and means for a much broader program than the present industrial dispersion program run by the Office of Defense Mobilization. The program now

Stories here are summaries of the week's events. For Weekly Report pages with more details, check Contents on the cover.

applies mainly to new, not existing, defense plant capacity, much of which is concentrated in the 193 target areas defined by the Federal Civil Defense Administration. Present dispersion incentives are losing their effectiveness as the defense build-up launched after Korea nears completion. ODM itself is putting a lot of study on the question. Right now, it's trying to decide whether to extend minimum safety zones.